

INFORMATION LETTER

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FEDERAL OLD-AGE BENEFITS TAXES

The Tax on Wages and How It Is Computed, with Particular Reference to Canning Industry

In the last issue of the INFORMATION LETTER there was begun a discussion of Regulations 91 and its application to the canning industry. Regulations 91, it will be recalled, deals with the taxes levied under Title VIII of the Social Security Act in connection with the *Federal old-age benefits program*. It was pointed out that these taxes, which become effective January 1, 1937, apply to every canner and to the employees who are subject to this part of the Act were also discussed. After a canner has determined which of his employees are covered, the next step is to determine the manner and method of computing the tax which he must pay.

The Taxes

The tax on the canner: Title VIII of the Act levies two taxes. The first of these is an excise tax on the employer himself, in this instance the canner. (See Art. 301-305 of the Regulations.) This tax is measured by the wages which the canner pays to employees who are covered by the Act. (Covered employees were discussed in the last issue of the INFORMATION LETTER.) *This old-age benefit tax is not on total payroll.* On the contrary, in determining the wages which are subject to tax, that portion of an individual employee's wages which is in excess of \$3,000 per year is disregarded. The employer must pay this tax himself and cannot deduct it from his employees' wages.

The tax on the canner's employees: In addition to this excise tax on employers, the Act levies an *income tax* on every covered employee. (See Art. 201-203.) The basis of the tax is the wages received by the employee, and here again only the first \$3,000 of each individual employee's annual wages are considered. Wages in excess of the first \$3,000 per year are disregarded.

The rate of the taxes: Both of these taxes become effective January 1, 1937. The rate in each case is the same and is as follows: (Art. 202 and 302.)

	Per cent
For the calendar years 1937, 1938, and 1939.....	1
For the calendar years 1940, 1941, and 1942.....	1½
For the calendar years 1943, 1944, and 1945.....	2
For the calendar years 1946, 1947, and 1948.....	2½
For the calendar years 1949 and subsequent calendar years.....	3

The canner is required to deduct and collect the employee's tax: Although the employee is in the first instance liable for the income tax imposed on the wages which he receives, the canner is required to collect the taxes for the Government by deducting them from the wages of his employees (Art. 204). Furthermore, the canner is under an absolute liability to pay the employee's tax to the Government irrespective of whether he deducts it from his em-

ployees' wages. In making these deductions the employer is protected against any claims on the part of his employees.

The deductions must be made even though the wages are paid in some medium other than cash, such as food, housing, etc., for, as will be seen below, the furnishing of such facilities constitutes taxable wages. At the time each payment of wages is made the canner must *furnish to each employee a written statement* showing the amount of the tax which has been deducted (Art. 204). No particular form for this statement is prescribed. Forms which may be used will be suggested in an early issue of the INFORMATION LETTER, however.

Since these taxes become effective January 1, 1937, the canner should close his books at the end of 1936 and pay all wages which are due for that year. Beginning January 1, he should deduct the tax from each payment of wages to covered employees *for services performed after January 1*. The desirability of notifying the employees that these deductions will be made was pointed out in the INFORMATION LETTER of November 14, 1936, at page 5097.

What Are Wages?

We have seen above that the basis of both the employer's and employee's taxes is the "wages" paid or received, as the case may be. In computing the taxes it is, therefore, necessary to know just what items are considered as "wages"

(Continued on page 5108)

RATES TO CONVENTION

Railroads Will Give No Special Reductions for the Annual Meeting

Special railroad rates for the annual convention will not be available as in previous years. Effective June 1st, when the railroads in the East reduced their passenger rates, they discontinued the practice of granting reduced fares for conventions of any character. The former general convention rate of one and one-third fare amounted to 2.4 cents per mile, which amount added to the sleeping car surcharge of 4 mills made a rate of about 2.8 cents per mile. The new regular rate is 3 cents per mile for tickets good in Pullmans and 2 cents per mile for coach tickets.

The Transcontinental, Western, Southwestern and South-eastern Associations on October 1st extended the limits of round-trip first-class tickets, on the basis of approximately 2 cents per mile, from ten days to thirty days, with a similar extension on round-trip coach tickets, on the basis of about 1.8 cents per mile. In view of this extension no convention rates are being authorized.

With no special rates in effect, it will be unnecessary, of course, for those attending the convention to have certificates for the purchase of tickets.

FEDERAL OLD-AGE BENEFITS TAXES

(Continued from page 5107)

subject to tax. The Regulations in Art. 14 define "wages" as "all remuneration for employment."

It was pointed out that in the case of employees earning more than \$3,000 per year, only the first \$3,000 is counted as "wages." The excess is disregarded. This limitation applies only with respect to wages received from the same employer. If a particular employee works for more than one employer during the course of the year, either at the same time or consecutively, and receives \$3,000 or more from each, the first \$3,000 received from each employer is wages subject to the tax.

The name by which the remuneration for services is designated is immaterial. Salaries, fees, bonus, commissions and the like are all taxable wages if paid to employees covered by the Act. The basis and time of payment are likewise immaterial. Thus payments by the piece are as much wages as payments by the hour, and whether the wages are paid hourly, weekly, monthly or annually is unimportant.

There are a number of items which require special attention, however, and these will be discussed below. (See Art. 14, 15.)

Food, housing, etc.: If a canner furnishes housing, meals, clothes, etc., to his employees these items are considered as wages, and their fair value must be included in computing the tax. The Regulations do not specify any method of computing fair value, however, and the canner is required to place his own estimate on the value of these facilities. So long as his estimate is fair and reasonable it will probably not be questioned.

Discounts on purchases: So-called "courtesy" discounts on purchases and similar privileges, such as medical services, are ordinarily not considered as wages if they are offered merely as a means of promoting the health, good will, contentment, or efficiency of his employees.

Dismissal pay: Payment to an employee of so-called dismissal pay, vacation allowances, or sick pay constitutes wages.

Traveling and other expenses: Amounts paid to traveling salesmen and other employees as allowance or reimbursement for expenses incurred by the employee in performing his duties do not constitute wages. A flat allowance of so much per month will not come within this exception from wages, however, even though it is intended as and is in fact a reasonable allowance to cover the employee's expenses. Under a Bureau of Internal Revenue ruling only those expenses which are actually incurred by the employee, and which can be accounted for on the basis of itemized records will be allowed. Allowances which cannot be thus accounted for will be considered as wages. It is possible that the Bureau of Internal Revenue may make an exception to this requirement in the case of monthly or mileage allowances to employees who use their own cars in performing their services, if the allowance is a reasonable one and is intended to cover only depreciation on the car, and wear and tear on the tires. Payments for gas and oil will have to be based on records of actual expenditure, but since depreciation cannot thus be predicated on any record of expenditures, a flat monthly or mileage allowance which is reasonable would probably not be considered as wages. The canner who intends to grant

such allowances, however, should keep accurate records in which the payments are clearly denominated as allowances for depreciation.

Premiums on life insurance: Generally, premiums paid by an employer on a policy of life insurance covering the life of an employee constitute wages if the employer is not a beneficiary under the policy. However, premiums paid by an employer on policies of group life insurance covering the lives of his employees are not wages, if the employee has no option to take the amount of the premiums instead of accepting the insurance and has no equity in the policy (such as the right of assignment or the right to the surrender value on termination of his employment).

Deductions from the wages of the employee: Any deductions which the canner may make from the remuneration of an employee, such as employee contributions under a State unemployment compensation statute, constitute wages. This is true even though he is required to make the deductions under some Federal or State law. In other words, the basis of the tax is the wages before the deductions are made.

Payments by employers into employees' funds: Payments made by an employer into a stock bonus, pension, or profit-sharing fund constitute wages if such payments inure to the exclusive benefit of the employee and may be withdrawn by the employee at any time, or upon resignation or dismissal, or if the contract of employment requires such payments as part of the compensation. Whether or not under other circumstances such payments constitute wages depends upon the particular facts of each case.

Should any special or peculiar cases arise in connection with the definition of "wages" it is suggested that the canner address a letter to the Association setting out the particular facts. With the assistance of its counsel the Association will attempt to answer these inquiries.

Computation of the Tax

In determining the application of these taxes to his business and in computing the amount of tax which will have to be paid, the canner should first determine which of his employees are subject to the Act. This may be done on the basis of the discussion in last week's INFORMATION LETTER. Utilizing the above discussion of wages he should next ascertain the exact amount of taxable wages which are paid to each employee thus covered. In this connection attention is directed to the discussion of records required and forms which may be used which was contained in the Association's pamphlet on Social Security issued last January. These will be discussed in greater detail next week.

The next step in determining tax liability is to apply the tax rates given above to these wages. In making this determination the rate in force at the time the services were performed is used, rather than the rate at the time the wages are paid.

This tax liability begins January 1, 1937, and applies to all services performed on or after that date by covered employees. The liability does not attach, however, until the wages are paid to the employees, either actually or constructively. Under Art. 203 and 303 of the present Regulations, wages are constructively paid if they have been credited to the account of the employee or set apart for him so that they may be drawn upon by him at any time.

This last distinction is of importance in determining the tax liability for a particular period for which a return is required by the Regulations. Only those wages which have actually or constructively been paid should be included in the return. Thus, if a canner pays on a weekly basis he can in filing his monthly return under Art. 401, include only the completed weeks for which the wages have been paid. On the other hand, if, under his particular system of book-keeping, it would be more convenient to include in the return all wages earned during the month, this can probably be done by crediting the wages to the employees on the books. This would constitute constructive payment.

The employer's tax for a particular accounting period is thus computed by applying the rate in effect at the time the services were rendered to the total of the wages (as defined above) paid by him during the period in question.

The employees' tax is computed in exactly the same way. The taxable wages received (actually or constructively) by each employee during the period are subject to a tax at the rate in force at the time the services were rendered. The employer is responsible for the payment of this amount to the Government, and hence it should be deducted from the wages when they are paid or credited to the employee. The total of the employees' taxes thus deducted should equal the employer's tax.

There remains one important point in respect to the method of computing taxes in the case of an employee who earns more than \$3,000 per year. Each time a payment of wages is made the tax should be computed on the full payment. The \$3,000 which is subject to tax may not be prorated over the entire year. The Regulations give an example of this which is worthy of repetition (Art. 14):

"Employee A receives from employer B a salary of \$600 a month for employment by B during the first seven months of 1937, or a total remuneration of \$4,200. At the end of the fifth month A has received \$3,000 from employer B, and only that part of his total remuneration from B constitutes wages, subject to the tax. The \$600 received by employee A from employer B for employment during the sixth month, and the like amount received for employment during the seventh month is not included in wages and is not subject to the tax. At the end of the seventh month A leaves the employ of B and enters the employ of C. A receives remuneration of \$600 a month from C for the remaining five months of 1937, or a total remuneration of \$3,000 from C. The entire \$3,000 received by A from C constitutes wages and is subject to the tax. Thus, the first \$3,000 received from B and the entire \$3,000 received from C constitute wages."

After the canner has applied the Act and Regulations to his business and determined the taxes which he must pay, the next question which arises is that of the records which must be kept, and the returns and payments which must be made. These will be discussed in the next issue of the INFORMATION LETTER with particular reference to the suggested forms incorporated in the Association's pamphlet on Social Security.

TWO NEW ROBINSON-PATMAN COMPLAINTS

Federal Trade Commission Questions Quantity Discounts by Two Firms

The validity of quantity discounts granted to competing purchasers has again been questioned by the Federal Trade

Commission in two new complaints alleging violations of subsection (a) of the Robinson-Patman Anti-Price Discrimination Act. These two complaints, which were issued on November 21, 1936, name as respondents Standard Brands Incorporated of New York, together with its subsidiary, Standard Brands of California, and Anheuser-Busch, Inc., of St. Louis, Missouri.

Both complaints charge that the respondents have granted price discriminations in the sale of bakers' yeast in violation of subsection (a) by establishing a system of quantity discounts based on monthly purchases as follows:

50,000 pounds up per month.....	14¢	per pound
10,000 to 50,000 pounds per month.....	14½¢	" "
7,500 to 10,000 " " ".....	16¢	" "
5,000 to 7,500 " " ".....	17¢	" "
3,000 to 5,000 " " ".....	18¢	" "
1,500 to 3,000 " " ".....	19¢	" "
1,000 to 1,500 " " ".....	20¢	" "
500 to 1,000 " " ".....	21¢	" "
300 to 500 " " ".....	22¢	" "
150 to 300 " " ".....	23¢	" "
1 to 150 " " ".....	25¢	" "

The complaint against Standard Brands further charges that the respondent has discriminated in the sale of foil yeast by granting a discount of 3¢ from the price of 30¢ per dozen on all sales of more than 300 pieces per month to one customer.

It will be recalled that the Act contains a proviso permitting "price differentials which make only due allowance for differences in the cost of manufacture, sale, or delivery resulting from the differing methods or quantities in which such commodities are to such purchasers sold or delivered." Out of the 10 complaints which have thus far been issued under the Robinson-Patman Act, 8 have dealt, at least in part, with the question of quantity discounts. It is felt that these 8 proceedings should shed considerable light upon the permissible scope of such discounts.

Constitutionality of New York Unemployment Compensation Statute

On Monday, November 23, 1936, the Supreme Court of the United States by a vote of four to four affirmed the decision of the Court of Appeals of New York upholding the constitutionality of the unemployment compensation law of that State. (For prior decision see INFORMATION LETTER of April 18, 1936, at p. 4917.) Mr. Justice Stone, due to illness, did not participate in either the hearing or the decision of the case.

Although the decision of constitutionality was thus affirmed, the action of the Court does not foreclose future attacks upon the validity of the New York law. When the Court is thus equally divided the practice is merely to affirm the decision of the lower Court, and a full Court may later reexamine the constitutional issues involved. Pursuant to this practice no written opinion accompanied the order.

Although this action on the part of the Court is not decisive of the question of the validity of state unemployment compensation statutes, it is indicative of a disposition to sustain such laws on the part of the present Court. The constitutionality of the Federal Social Security Act was not involved in this proceeding, and is not affected by it.

AUSTRALIAN FRUIT EXPORTS

Shipments Less Than in 1935—Crop Prospects for New Season

Exports of canned fruits from Australia during the nine months ended with September, according to figures received by the American trade commissioner at Sydney from the Commonwealth Canned Fruits Control Board, amounted to 2,101,313 dozen 30-ounce tins. The following table shows the exports for the 1936 period as compared with that of the preceding year:

	1935 Dozens	1936 Dozens
Apricots.....	351,521	306,818
Pears.....	656,816	709,354
Peaches.....	1,306,075	1,047,782
Pineapples.....	109,720	29,041
Fruit salad.....	16,598	8,318
Total.....	2,440,730	2,101,313

In all districts in Victoria the flowering of apricots has been very irregular and at present a crop of about 60 per cent is indicated, according to a report issued at the end of September by the Victorian Department of Agriculture. Full crops of peaches, however, have set in the Goulburn Valley (the main producing center) and Doncaster districts. Reports from the Murrumbidgee Irrigation areas, New South Wales, state that frosts at the end of September did some damage to the apricot and peach crops.

Survey Shows Small Kraut Pack

The total stock of kraut as estimated by the National Kraut Packers Association from a survey of kraut producers representing 90 per cent of the entire output, is about 275,000 cases, or 2,750,000 cases. The normal requirements are estimated at almost twice that quantity. The present stock is estimated at 68.7 per cent of that on the corresponding date last year, and 49.5 per cent of that two years ago when a large pack was made.

Meeting on International Telegraph Regulations

The Preparatory Committee for the International Telegraph Conference to be held at Cairo, in February, 1938, held its first meeting on November 19, with about fifty persons in attendance representing the carriers and the users. The purpose of the meeting was to consider whether it will be to the advantage of the United States to become a party to the international telegraph regulations and what changes should be made in those regulations to render them acceptable to the United States.

The carriers went on record as having no objection to the United States becoming a party to the regulations if the government would limit itself to dealing only with questions of policy and not with questions of management. The opinion of the users was generally in favor of the United States signing the regulations.

The meeting adjourned after the appointment of a subcommittee which is to draft a proposal to Cairo that the

United States will sign the international regulations if Cairo accepts the United States terms, or if the United States may be permitted to sign the regulations in part. The subcommittee will report at the next meeting of the Preparatory Committee which will be held on November 30th.

Australia Will Study Deep-Sea Fisheries

Scientific investigation into deep-sea commercial fishing operations is to be undertaken in Australian waters, according to the American trade commissioner at Sydney. The present director of fisheries research in Newfoundland has been appointed to take charge of this investigation for a period of five years. He will arrive in Australia toward the end of January, 1937. The work to be carried out by the Council for Scientific and Industrial Research in relation to fisheries includes the exploration of fishing grounds, particularly pelagic or surface-swimming fish, by a specially designed vessel. Experiments in the preservation of fish by such methods as quick freezing, canning, smoking, curing, and the manufacture of by-products, such as fish meal, and oil, are to be made. There will also be marine biological investigations.

Employment and Prices

The following indexes are the latest now available. For employment and payrolls they are based on the average for 1923-25 as 100 per cent, while for wholesale prices 1926 is taken as 100 per cent.

	Employment			Payrolls		
	Oct. 1936	Sept. 1936	Oct. 1935	Oct. 1936	Sept. 1936	Oct. 1935
All industries...	96.5	95.3	89.3	88.9	83.4	76.3
Canning.....	194.4	305.4	188.1	176.4	258.9	155.0

	Wholesale Prices				
	Nov. 14 1936	Nov. 7 1936	Oct. 31 1936	Oct. 24 1936	Nov. 16 1935
All commodities...	82.0	81.3	81.2	81.1	80.4
All foods.....	83.5	82.6	82.3	82.1	84.9

Fruit and Vegetable Market Competition

Carlot Shipments as Reported by the Bureau of Agricultural Economics, Department of Agriculture

	Week ending—			Season total to—	
	Nov. 21 1935	Nov. 21 1936	Nov. 14 1936	Nov. 21 1935	Nov. 21 1936
VEGETABLES					
Beans, snap and lima	287	278	303	9,496	11,070
Tomatoes.....	81	203	209	23,170	25,007
Green peas.....	71	195	162	7,487	7,804
Spinach.....	126	265	119	8,015	6,033
Others:					
Domestic, competing directly....	2,671	3,339	2,794	101,447	115,035
Imports, competing indirectly....	93	37	66	584	595
FRUITS					
Citrus, domestic....	2,926	4,075	3,172	10,661	15,840
Imports.....	6	6	1	2,265	3,157
Others, domestic....	361	682	1,269	46,896	46,937

Underwear Industry Asks Trade Practice Conference

Application for a trade practice conference for the knitted underwear manufacturing industry has been filed with the Federal Trade Commission by the Underwear Institute. The industry, according to the application, employs 36,500 persons, produces 23,250,000 dozen garments annually, and has an annual volume of sales of approximately \$85,000,000. Underwear Institute advised the Commission that it represents about 85 per cent of the production of the knitted underwear industry.

PEA APHID CONTROL

Summary Report On Experimental Work During Early Part of Year

There has just been prepared a report covering the experimental work on pea aphid control performed by the Bureau of Entomology and Plant Quarantine of the Department of Agriculture under the memorandum of understanding between that Bureau and the Association's Committee on Pea Aphid Research. The summary is as follows:

"This report covers the experimental work on pea aphid control conducted by the Bureau of Entomology and Plant Quarantine of the United States Department of Agriculture in cooperation with the Committee on Pea Aphid Research of the National Canners Association during the period covered by these investigations in the Southwest, in the South, and in California. The results obtained were limited, due to the scarcity of pea aphid infestations and unfavorable weather conditions. Such results as were obtained in the experiments indicate:

"1. That a derris spray with a spreader and wetting agent, and a derris dust mixture containing talc and sulphur, at the dilutions shown, have promising possibilities, as a control for the pea aphid.

"2. That cube may be substituted for derris in equal dilutions of the active ingredients.

"3. That derris or cube sprays or dust mixtures have a residual effect against the pea aphid which results in a continuation of the killing action of these insecticides through an extended period of time after these insecticides are applied, and which prevents a rapid increase of the aphid population on the treated plants.

"4. That while in some of the experiments nicotine sulphate sprays or dusts had a superior immediate effect to derris or cube in killing the pea aphid, as judged by examinations of treated plants soon after application, the nicotine sulphate did not have a sufficient residual effect to prevent a rapid increase of aphid population, if weather conditions and plant growth conditions were favorable for such increase.

"5. That because of the mechanical difficulties involved in the application it is difficult to obtain a satisfactory spray coverage of heavy growth of pea vines even when a very high gallonage of spray is applied.

"6. That the results obtained in these experiments are not sufficient to draw definite conclusions, or to make control recommendations based thereon."

The report submitted covers only the experiments carried on during last winter and the early part of the summer.

Much additional experimental work, both by the Bureau of Entomology and by some of the state experiment stations, was carried on during the pea-growing season in the Middle West and East. An effort will be made to summarize these results for canners' information at an early date.

New Raspberry Varieties Available

A new fall-bearing red raspberry, a very large mid-season variety, and a new purple raspberry, originated on the station grounds at the New York Agricultural Experiment Station at Geneva, have recently been named, and planting stocks of all three may be obtained from the New York State Fruit Testing Association at nominal cost. The two red varieties have been named Marcy and Indian Summer and the purple variety Sodus. Marcy is the largest red raspberry in the Station collection and is said to be vigorous and productive. Indian Summer is reputed to be the best autumn-fruiting raspberry available, excelling existing fall-bearing varieties by a wide margin. Sodus, the new purple variety, is described as exceedingly vigorous and during the past summer displayed remarkable drouth resistance, according to a Station report.

A.A.A. Will Purchase Dry Skim Milk

The Agricultural Adjustment Administration has made awards to nine manufacturers for the purchase of 2,002,100 pounds of dry skim milk for relief use. Deliveries will be made in three consecutive two-week periods, the first period ending December 5th.

Wisconsin Association Officers

At the annual meeting of the Wisconsin Canners Association in Milwaukee, J. L. Albright of the Columbus Food Corporation was elected president for the coming year, and Harvey R. Burr reelected to the position of executive secretary, which he has long held. Other officers elected were: Norman O. Sorensen, vice president; G. J. Hipke, secretary, and William Opitz, treasurer.

Malayan Pineapple Exports

The American trade commissioner at Singapore reports that exports of tinned pineapples from British Malaya for the period January 1st to August 29th were 1,897,285 cases, or an average of 54,208 cases per week. Total exports for the corresponding period of 1935 were 1,673,697 cases or an average of 47,821 cases per week.

According to the annual report of the British Malaya Department of Agriculture, there were 58,916 acres of pineapples in production in Malaya in 1935. Of the total acreage in production 32,374 acres were planted as a sole crop, while 26,542 acres were interplanted with other crops.

Progress in Soviet Food Industries

The Soviet foodstuffs industry was successful during the first half of 1936 in satisfying all demands made upon it by the country, according to Soviet reports. Canned food production made a gain of 34.2 per cent over the corresponding period in 1935, and exceeded plan figures by 9 per cent. Plans called for a canned food output valued at 61,200,000 rubles, while the actual output was valued at 73,700,000 rubles.

Production and Stocks of Canned Milk

	1936 Pounds	1935 Pounds	Change Per Cent
Manufacturers' stocks (case goods, Nov. 1):			
Evaporated (35 firms)...	247,946,024	229,065,492	+ 8.24
Condensed (7 firms)...	11,689,000	14,678,492	-20.37
Total production, Oct.:			
Evaporated (34 firms)...	184,722,749	103,402,680	+78.64
Condensed (7 firms)...	3,262,381	3,733,019	-12.61

Michigan Cannery to Meet December 3 and 4

The Winter meeting of the Michigan Cannery Association will be held at the Pantlind Hotel in Grand Rapids on December 3 and 4.

REGISTRATION IN LOUISIANA

Further Interpretation of Regulations Under New State Food Act

The following opinions were given in a letter of November 23, 1936, from Dr. J. A. O'Hara, President of the Louisiana State Department of Health:

1. Preserves are registered as a single product. The application should state the name and brand under which sold.
2. A manufacturer or distributor is entitled to register products of wholly owned subsidiary companies under the same registration as the parent manufacturer or distributor and is only liable to pay one fee for the purpose.
3. If a single brand of any product such as canned peas is labeled to show the name of a brokerage company and the name of the canner packing same, either is liable for registration of the product and payment of the fee, one as the proprietor and the other as the manufacturer. In the event either the brokerage company or the canner has paid the maximum annual fee of \$100 either is then entitled to register such brand without additional charge.

No Early Decision on Fiber Containers

The chairman of the Official Classification Committee has received a number of letters asking what action has been taken with reference to the specifications for fiber boxes for canned foods and is advising inquirers that this is a question on which a conclusion cannot be reached for some time. Before arriving at a decision the Committee expects to give detailed study to accumulated data submitted to the classification

committees and presented orally at the various hearings.

FORTY-HOUR WEEK IN FRANCE

Opposition among Industrialists to Law Enacted Last June

French industrialists have not taken kindly to the 40-hour week law which was passed last June, according to a report to the Commerce Department from trade commissioner Don C. Bliss, Paris. They contend, the report states, that the putting into effect of this schedule will result in higher prices, lower production, and a shortage of labor. At the beginning of November, the 40-hour week has been adopted in France by the coal-mining, metallurgical and textile industries.

A government control to prevent unjustifiable price increases operates mainly to prevent too great a mark-up by retailers at any one stage in the price adjustment that inevitably followed the franc devaluation, the report states.

Manufacturers contend that they have to meet not only the cheaper franc problem but a more complex problem in the adjustment of price due to the increase in costs represented by higher wages and shorter hours. The price controls make it necessary to supplement their moderate increases by installation of labor-saving machinery.

The facts as to unemployment in France, the report points out, make it unlikely that industry can recruit an additional 20 per cent of man power to offset the shorter week. There are 8,000,000 potential workers in France, of whom 400,000 to 450,000 are unemployed. More than one-half of these or 228,000 are in the Paris area and 145,000 more in only 12 other areas, leaving about 35,000 unemployed, or less than 1 per 1,000 population in 76 other areas that include manufacturing districts. A large share of those on relief are unemployable and the remainder are unskilled. Thus migration of labor or of industry will not solve the problem, it was stated.

CONTENTS

	PAGE
Federal old-age benefits taxes.....	5107
Rates to convention.....	5107
Two new Robinson-Patman complaints.....	5109
Constitutionality of New York unemployment compensation statute.....	5109
Australian fruit exports.....	5110
Survey shows small kraut pack.....	5110
Meeting on international telegraph regulations.....	5110
Australia will study deep-sea fisheries.....	5110
Employment and prices.....	5110
Fruit and vegetable market competition.....	5110
Underwear industry asks trade practice conference.....	5111
Pea aphid control.....	5111
New raspberry varieties available.....	5111
A.A.A. will purchase dry skim milk.....	5111
Wisconsin Association officers.....	5111
Malayan pineapple exports.....	5111
Progress in Soviet food industries.....	5112
Production and stocks of canned milk.....	5112
Michigan Cannery to meet December 3 and 4.....	5112
Registration in Louisiana.....	5112
No early decision on fiber containers.....	5112
Forty-hour week in France.....	5112